



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

Replaced by 1104 (1951)
6-26-78
FmHA AN No. 1994 (1951)

October 13, 1989

- SUBJECT: FmHA Program Management and Servicing
Goals Through June 30, 1990

TO: All State Directors and
State Directors-at-Large, FmHA

Purpose/Intended Outcome

This AN establishes goals for FmHA's loan and grant servicing and loanmaking activities for the period July 1, 1989-June 30, 1990. It also sets forth specific lending and servicing policies for FmHA's various loan programs.

Comparison with Previous AN

This AN replaces FmHA AN 1804 (1951) dated September 26, 1988, which expires on September 30, 1989.

Implementation Responsibilities

State Directors and Program Chiefs should immediately review the goals which have been set and make plans for training, implementing, and measuring the results of these efforts. This should be done using management plans, training schedules, and performance elements and standards.

Servicing and Supervision

Servicing and Supervision will continue as a priority in program management. Progress in reducing delinquency has been made and recognition is acknowledged for those employees in the County, District, and State Offices showing improvements. The Discount Purchase Program, graduations, and the continuing process of substitutions for the portfolio sales have dramatically changed the complexion of the caseload to be serviced Community Programs and Housing. However, we expect State Directors to make even further delinquency reductions in most program areas by making the most effective and efficient use of personnel resources and approved contracting services. FmHA has a guaranteed and insured loan portfolio of \$59.4 billion with \$9.3 billion being delinquent, as of June 30, 1989. Increased emphasis is being placed on reducing the delinquent dollars outstanding, particularly in the Single Family Housing Program. Proper loan servicing also means proper credit management. This includes borrower counseling, proper accounting for security property, financial analysis, interest credit renewal, and consideration for graduation.

EXPIRATION DATE: September 30, 1990

FILING INSTRUCTIONS: Preceding
FmHA Instruction 1951-A



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Secretary of Agriculture, Washington, D.C. 20250

Graduation

Graduation continues to be a high priority servicing responsibility. Graduation of loans to the private sector is the most cost beneficial method of reducing the Agency's portfolio servicing cost. Proper management of our graduation reviews assures that worthy borrowers will be integrated into private and commercial credit systems and that FmHA will comply with legislative mandates. States should establish measurable goals to assure proper emphasis and to provide monitoring benchmarks in this important effort. These goals and monitoring responsibilities should be reflected in the elements and standards of the accountable personnel.

Credit Management

The use of effective credit management practices will be a high priority. Credit management tools used in the loan approval process, account servicing and delinquent debt collection have helped to reduce or stabilize the delinquency rates in all programs. Many of the credit management initiatives already implemented or being implemented represent a new way of doing business for FmHA. State Directors shall ensure that sound credit management practices are followed, existing debt collection tools are utilized, and newly authorized practices are implemented.

Property Management

The steady reduction in the number of houses in inventory is recognized as an achievement of good planning, management, and continued sales efforts. FmHA now has nearly 5,000 farms totaling over one million acres in inventory. We must carefully manage and sell these properties in accordance with FmHA Instruction 1955-B and 1955-C, respectively. Particular attention must be given to the environmental reviews.

Loanmaking

Each State Director is expected to manage available program funds, personnel resources, and approved contract services in line with sound loanmaking practices to provide financial assistance in rural areas as necessary to carry out USDA rural development initiatives. We should diligently continue our efforts to work with other financial lenders as we continue our efforts to expand the use of guaranteed lending programs. In order to maintain our position of leadership in rural development, all program authorities, insured, and guaranteed must be utilized to their fullest.

Loan programs which support the Administration's Rural Development priorities must be emphasized and given special attention. Sound Business and Industry (B&I) loans which yield the greatest employment/cost benefit and improve the economies of rural communities should be stressed.

While some progress has been made in increasing the number of guaranteed Farmer Program loans, it is imperative that we heighten our emphasis on the guaranteed program to ensure that adequate financing is available to farmers and that the private sector is actively involved. Guaranteed goals should be reflected in the elements and standards of the accountable personnel.

Housing loans for low and very low income families and loans for well designed and located rental properties serving all segments of the lower income population will make a balanced contribution to rural America.

Environmental Program

Special emphasis should be placed on the following four objectives:

- (1) Fully implement the hazardous waste reporting requirements contained in FmHA AN No. 1948 (1940) dated June 30, 1989;
- (2) Record any backlog of unrecorded conservation easements for inventory property in accordance with the provisions of FmHA AN No. 1959 (1955), dated July 18, 1989;
- (3) Have the State Environmental Coordinator actively participate in your programs for reviewing District and County Offices' operations;
- (4) Ensure that all staff who prepare and review environmental assessments for utility projects fully understand and accomplish both the public notice requirements and the implementation requirements for the identification, avoidance, and mitigation of potential impacts to important land resources, especially floodplains and wetlands, caused by the development that such utilities are designed to accommodate.

During this reporting period the National Office will continue to work with the Office of Management and Budget and the U.S. Fish and Wildlife Service to address whether or not some modifications can be made to the present requirements for placing wetland conservation easements on property to be leased or sold to prior owners and operators. Unless and until some additional guidance is provided, you need to be sensitive to this matter but continue to implement the present requirements in a reasonable manner.

Debarment and Suspension

During the last year an entirely new regulation on debarment and suspension was issued to the field. Monitoring of loanmaking activities should include a verification that the requirements of FmHA Instruction 1940-M are being met. The proper certifications must be obtained and made a part of the loan docket.

Computer Workaids

Computers must be thought of as another tool which can be used to make and service loans, manage inventory properties, and to prepare analyses of statistical data such as delinquencies, obligations, status reports, etc. Consult FmHA Instruction 2006-T, Exhibit B, Attachment 1 for the current Version No. and Issue Date of each one. The following workaids have been added during the last year to provide additional decision support tools for managers.

- (1) GRANT DETERMINATION (wwdgrant) - This program performs the calculations necessary to identify the limits on a Water and Waste Disposal grant. Once the user has determined the grant amount, the program prints the completed FmHA form.
- (2) MANUFACTURED HOUSING THERMAL PERFORMANCE EVALUATION SYSTEM (thermal) - This unique program is used to evaluate the thermal performance of a manufactured house in accordance with FmHA procedures and policies. The results of the evaluation are printed in a summary report.
- (3) BOND REPAYMENT SCHEDULE (bond) - Using this tool, the user generates a bond repayment schedule which approximates an amortized schedule. Adjustments are made for fixed principal units, deferred principal payments and payment frequency.
- (4) SYSTEM FOR EFFECTIVE NOTIFICATION AND TRACKING (sent) - This program is necessary to assure that each farm program borrower is provided the various servicing options set forth in FmHA Instruction 1955-S and also to assure that they are provided in the proper sequence. Improvements to SENT, including a report package and program speed-up are now being finalized for testing and release.

Goals

Attached to this AN by program are program management goals that set forth the Agency priorities for program management. The following attachments are included:

Attachment	Program
A	Farmer Programs
B	Single Family Housing
C	Multiple Family Housing
D	Community Programs
E	Business and Industry Loans

Conclusion

We will monitor your progress in achieving the goals set forth herein. We expect you to monitor the activities of the offices in your State to identify problem areas, and to take appropriate action to resolve the problems so that the Agency's goals can be achieved.



NEAL SOX JOHNSON
Acting Administrator

Attachments

FARMER PROGRAMS MANAGEMENT AND SERVICING
GOALS THROUGH JUNE 30, 1990

The Acting Administrator has identified these goals as the priority items to be accomplished by the field staff in FY 1990. Goal achievement will be a consideration as part of State Director and Farmer Program Chief performance evaluations.

I. LOAN SERVICING

FmHA personnel must make every effort to help farmers resolve their financial problems. County Supervisors and District Directors must fully utilize all appropriate servicing and supervisory tools to assist borrowers to succeed.

- A. We have now successfully moved the first group of delinquent borrowers through the initial notification and calculation process of primary loan servicing, but have just begun to process those borrowers, along with those who did not respond, through the preservation provisions of the regulations. We have a great deal of work to complete the job with these borrowers, and have just sent notices to the new delinquent borrowers.

The legislatively established timeframes in which to complete servicing actions required by the act will require that all resources available be utilized to meet the increased work load. You should make maximum use of the computerized programs (DALR\$ and SENT) to assist with the management of the task at hand to insure that the work is done correctly and on time as required by the regulations.

We will be closely monitored by Interest Groups, OIG, and Congress to assure that the job is done consistent with regulations and within the timeframes established in the legislation. We are advising members of Congress that we may have to exceed the 60 days set forth in the law for processing an application for loan servicing in those cases where the farming cycle has not been completed.

A specific goal on accomplishments relating to carrying out the Agricultural Credit Act of 1987 is not established because of specific performance criteria in the legislation and regulation. Progress will be monitored by the National Office through Farmer Programs management reports and special reviews.

1994(1951)

- B. GOAL 1: By June 30, 1990, each State Office will reduce the number of its Collection Only (CO) accounts by 80% of the total Farmer Programs CO accounts (total unduplicated number less Rural Housing accounts) noted on the quarterly Report Code (RC) 643, dated as of June 30, 1989. Any account reclassified to CO status, prior to June 30, 1990, will be counted as a CO account when determining goal achievement.

Goal achievement will be monitored by dividing the number of CO accounts reported on RC 643, on June 30, 1990, by the number of accounts reported on the June 30, 1989 RC 643.

- C. GOAL 2: Graduate, by June 30, 1990, 5% of the active borrowers on June 30, 1989. Goal achievement will be determined by dividing the total borrowers graduated, listed on the "Farmer Programs Graduation Report Month Ending June 30, 1990," by the number of active Farmer Program borrowers, listed on the June 30, 1989, RC 541.

- D. GOAL 3: Seventy-five percent of the borrowers who have received the required 180 delinquency Notice (Exhibit A, Attachment 1 of 1951-S) as of October 1, 1989, but who's accounts have not been resolved through primary loan servicing (including buyout at net recovery value), will be processed through acceleration by June 30, 1990.

This will be measured by dividing the number of borrowers described above who have been accelerated to date, by the total number of borrowers described above; as reported to the National Office on January 19 and July 6, 1990, on Attachment A, Exhibit A. Borrowers who have paid current or paid in full should not be counted.

II. CREDIT QUALITY

- A. GOAL 4: State Directors or their designee(s) will post review at least 15% of all annual and interim farm budgets used as a basis for Farmer Programs loans approved in the County Offices for FY 1990. This includes initial and subsequent loans, insured and guaranteed, approved by County Office officials from October 1, 1989, through June 30, 1990. Samples will be obtained from Form FmHA 1905-4. The first loan approved and every sixth loan approved, thereafter, will be post reviewed.

The primary purpose of these reviews will be to analyze the farm budgets and determine if feasible plans were projected at the time loans were approved, whether realistic production levels, supportable income and operating expenses were used, and whether complete documented analyses were conducted for indebted FmHA borrowers receiving subsequent loans.

Each docket review will specifically determine whether or not:

- 1) A feasible plan was projected at the time the loan was approved. For insured loans, a feasible plan is defined in FmHA Instruction 1924-B, Section 1924.57(c)(5). FmHA Instruction 1941-B, Section 1941.14(a)(5) defines what is required for annual production loans to delinquent borrowers. A positive cash flow for guaranteed loans is defined in FmHA Instruction 1980-B, Section 1980.106(b)(17). FmHA Instruction 1980-B, Exhibit D, III. C. defines a positive cash flow under the Interest Rate Buydown Program.
- 2) Income, expense and yield projections were documented in accordance with FmHA Instruction 1924-B, Section 1924.57(d) for insured loans, and FmHA Instruction 1980-B, Section 1980.113(d)(8) for guaranteed loans.
- 3) A complete year-end analysis was performed for insured borrowers receiving subsequent loans, as set forth in FmHA Instruction 1924-B, including:
 - a) Completion of the "actual" columns on Form FmHA 431-2 and reconciliation of the balance available with debts paid and cash on hand at the end of the year.
 - b) Recording of the results on Form FmHA 1960-12, "Financial Farm Analysis Summary."
 - c) Thorough documentation of the analysis in the running case record (i.e., key management problems identified, agreements reached with the borrower for corrective action, and follow-up action required).

Semi-annual reports to be sent to the N.O. by January 19, 1990 and July 6, 1990, reflecting activity as of December 31, 1989 and June 30, 1990, will include the unduplicated borrower or applicant farm budget review count. Since some applicants or borrowers could have received several types of FmHA loans, we recommend District Directors be given the responsibility of obtaining the data for the unduplicated semi-annual reporting requirements from their respective County Offices. This data is available from Form FmHA 1905-4, "Application and Processing Card-Individual." District Directors will forward this information to their State Office, where it will be consolidated and forwarded to the N.O.

Attachment A
Page 4

Goal achievement will be determined by dividing the Number of Budgets reviewed, that were developed for initial or subsequent loans processed in FY 1990, by the number of loans obligated in FY 1990.

- B. GOAL 5: The National Office (N.O.) will request that a certain percentage of insured and guaranteed loan files be submitted to the Farmer Programs Loan Making Division (FPLMD) in Fiscal Year (FY) 1990 for a credit quality review. Files reviewed by the N.O. in FY 1989 showed that only 41 percent had been adequately completed concerning the above three items. All States will have a goal of not less than 90 percent compliance as a combined average for items 1, 2 and 3 of the Credit Quality Section of this AN.

III. USE OF LOAN FUNDS

The primary objective is to require FmHA applicants/borrowers to obtain as much credit as possible from other sources before an insured loan is made. Farmer Programs funding levels for FY 1990 will continue to emphasize the shift toward guaranteed loans. Every effort possible must be made to get first time applicants financed with guaranteed loans.

Refinancing of debts should be done only with the guarantee authorities, or when it is absolutely necessary to develop a feasible plan to keep a farmer in business. Use of proceeds from normal income security to make payments scheduled to be made to other creditors must be documented on Form FmHA 1962-1.

Rollover of annual production loans is prohibited. The Congress authorizes funding levels, and roll-overs have the effect of providing more Government assistance than is authorized by the Congress.

FmHA regulations require documentation, in borrower case files, of the inability to obtain a guaranteed loan as a part of the test for other credit. The objective of this requirement is to make sure we use guaranteed loan authorities to the maximum extent possible.

- A. GOAL 6: Each state will take the steps necessary to limit its use of insured loan funds for FY 1990 to the amount of insured funds initially allocated to the state. The objective of this goal is to insure that each State makes a concerted effort to see that FY 1990 credit for applicants and borrowers is obtained, to the greatest extent possible, through the use of FmHA's guarantee program, subordination authorities, and emergency (EM) loan authorities for eligible applicants in disaster designated areas. The goal will be monitored by using RC 205 and FmHA Instruction 1940-L, Exhibit A, Attachment 1.

- B. GOAL 7: Exhibit B to this Attachment shows FY 1989 Insured and Guaranteed FO and OL obligations as a percentage of total Insured and Guaranteed FO and OL obligations, as of August 17, 1989. A goal has been established that the National Average of FO and OL obligations for FY 1990 will be 60 percent Guaranteed and 40 percent Insured, as of June 30, 1990. Essentially, the individual state goals are an increase of 5% percent over FY 1989 levels. States between a 60-64 percent level of guaranteed loans in FY 1989 are requested to increase their level to 65 percent in FY 1990. States with more than 65 percent in FY 1989 are expected to hold the FY 1989 level (See Exhibit B Attachment).

- C. GOAL 8: Each state will obligate all of its SDA FO funds allocated for Socially Disadvantaged SDA by June 30, 1990.

This goal will be monitored by the SDA FO dollars obligated will be divided by the (SDA) FO dollars allocated to determine the goal achievement.

- D. GOAL 9: Seventy percent of all active, unduplicated, Farmer Program borrowers will have an automated Farm and Home Plan completed by June 30, 1990. On December 31, 1989 and June 30, 1990, each County Office should determine the number of borrowers using an automated Farm and Home Plan. This is easily accomplished by typing the following at the UNIX prompt:

```
cd (space) /usr/sp_datafiles/fhp
```

Hit return. Then type:

```
ls (space) -l (space) | (space) lp
```

Note: New instructions for this procedure will be issued when the redesigned, ORACLE version of the Farm and Home Plan has been installed on all systems. Please refer to these instructions as needed.

The designated printer will print a list of all FP borrowers using the automated Farm and Home Plan. The County Office should count the number of rows listed on the output. Count only those plans updated since September 1, 1989. If a borrower has both an A (archive) and W (working) file, count him only once. The number of borrowers with an Automated Farm and Home Plan can not exceed the number of active borrowers. This number will be forwarded to the State Office for submission of a combined report to the National Office.

On January 19 and July 6, 1990, the State Offices will report to the National Office, using Exhibit A, the total number of borrowers using an automated Farm and Home Plan.

The total number of borrowers, with an automated Farm and Home Plan, will be divided by the total number of Active Borrowers, listed on the September 1, 1989, RC 541 report. This will determine the percentage of borrowers with an automated Farm and Home Plan.

- E. GOAL 10: Each State will process at least one Guaranteed FO loan to members of Socially Disadvantaged Groups. On January 19 and July 6, 1990, the State Offices will report to the National Office, using Exhibit A, the number of Guaranteed loans made to SDA's as of December 31, 1989 and June 30, 1990.

IV. FARM INVENTORY PROPERTY MANAGEMENT

The acquisition, management and sale of FmHA farm inventory properties must continue to be administered in a manner that is in the best interest of the Government while taking into consideration the expanded authorities set forth in the Agricultural Credit Act of 1987 Regulations.

- A. GOAL 11: The goal is to reduce the number of inventory farms properties to 80% of the September 1, 1989, level by June 30, 1990. Any additional farms acquired will not be counted against the goal. This goal will be monitored by multiplying the June 30, 1989 total number of farms in inventory, listed on RC 593A, by 0.5 to determine the target number of farms to be sold. The target number of farms will be compared with the actual number of farms sold that were in inventory June 30, 1989, to determine goal compliance.

The number of farms sold (suitable and surplus) will be taken from the FOCUS ACQD data file on December 31, 1989 and June 30, 1990.

Section 1955.66 of FmHA Instruction 1955-B, states that leasing may be used as a management tool when it is clearly in the best interest of the Government. Therefore, leasing of inventory farms will be limited to leaseback/buyback borrowers, socially disadvantaged borrowers and in cases where it is clearly in the financial interest of the Government.

- B. GOAL 12: Each State to sell or lease at least 80% of farms, targeted for Socially Disadvantaged Applicants. Only suitable farms meeting requirements outlined in Farmers Home Administration Instruction 1943-A, Section 1943.24, "Special Requirements" and having all preservation loan servicing rights exhausted are to be targeted.

The number of targeted farms will be multiplied by 0.8 to determine the number of farms to be sold or leased in each state. The number of farms actually sold or leased to SDAs will then be divided by the goal to measure goal achievement.

The number of farms targeted for SDAs will be obtained from the semi-annual report, "REPORT OF SDA DESIGNATED COUNTIES AND TARGETED FARMS," submitted to Farmer Programs, Emergency Designation Staff, on September 30, 1989 in accordance with Instruction 1943-A. The number of targeted farms sold or leased to SDAs will be reported on Exhibit A of this Attachment on January 19 and July 6, 1990.

1994(1951)

Attachment A, Exhibit A
Page 1

FARMER PROGRAM MANAGEMENT AND SERVICING GOALS
THROUGH JUNE 30, 1990

This report must be received by the National Office, Farmer Programs, Program Development Staff (Telemail Box NO.PDS) on January 19 and July 6, 1990. Response to items 1 (GOAL 3) and 3 (GOAL 9) will be cumulative. All other responses should NOT be cumulative. Only include activity occurring during the specified time period.

STATE: _____ DATE PREPARED: _____

1. Acceleration of delinquent borrowers (GOAL 3).

Borrowers sent Notices prior to
10/1/89 who have not been resolved:

By 12/31/89

By 6/30/90

Of those above, Number Accelerated:

By 12/31/89

By 6/30/90

2. Post review of farm budgets (GOAL 4).

a) Number of annual budgets completed for new loans during
the period:

Insured Loans
10/1/89 - 12/31/89

Insured Loans
1/1/90 - 6/30/90

Guaranteed Loans
10/1/89 - 12/31/89

Guaranteed Loans
1/1/90 - 6/30/90

b) Number of budgets post reviewed during period:

Insured Loans
10/1/89 - 12/31/89

Insured Loans
1/1/90 - 6/30/90

Guaranteed Loans
10/1/89 - 12/31/89

Guaranteed Loans
1/1/90 - 6/30/90

3. Total number of active, unduplicated, Farmer Program
borrowers with an automated Farm and Home Plan (GOAL 9).

Total as of
12/31/89

Total as of
06/30/90

1994(1951)

Attachment A, Exhibit A
Page 2

4. Processing of Guaranteed PO loans to members of Socially Disadvantaged Groups (GOAL 10).
Number of guaranteed loans processed for SDAs:

10/01/89
thru
12/31/89

01/01/90
thru
06/30/90

5. Sale and lease of targeted farms to SDAs (GOAL 12).
a) Number of farms sold to SDAs:

10/01/89
thru
12/31/89

01/01/90
thru
06/30/90

- b) Number of farms leased to SDAs:

10/01/89
thru
12/31/89

01/01/90
thru
06/30/90

1994(1957)

Attachment A, Exhibit B
Page 1

Guaranteed Farmer Program Obligations
as a Percentage of the combined Guaranteed
and Insured OL and FO Obligations

<u>State</u>	<u>Actual- FY 1989</u> <u>as of 8/17/89</u>	<u>Goal- FY 1990</u> <u>as of 6/30/90</u>
Alabama	50%	55%
Arizona	53%	58%
Arkansas	62%	65%
California	57%	62%
Colorado	51%	56%
Connecticut	20%	25%
Delaware	65%	65%
Florida	44%	49%
Georgia	57%	62%
Idaho	55%	60%
Illinois	73%	73%
Indiana	44%	49%
Iowa	59%	64%
Kansas	58%	63%
Kentucky	40%	45%
Louisiana	62%	65%
Maine	9%	14%
Maryland	67%	67%
Massachusetts	24%	29%
Michigan	69%	69%
Minnesota	57%	62%
Mississippi	43%	48%
Missouri	51%	56%
Montana	62%	65%
Nebraska	65%	65%
Nevada	1%	6%
New Hampshire	30%	35%
New Jersey	49%	54%
New Mexico	39%	44%
New York	35%	40%
North Carolina	52%	57%
North Dakota	43%	48%
Ohio	39%	44%
Oklahoma	46%	51%
Oregon	45%	50%
Pennsylvania	28%	33%
Rhode Island	4%	9%
South Carolina	49%	54%
South Dakota	61%	65%
Tennessee	33%	38%
Texas	48%	53%
Utah	48%	53%
Vermont	50%	55%
Virginia	37%	42%
Washington	51%	56%
West Virginia	51%	56%
Wisconsin	78%	78%

1994(1951)

Attachment A, Exhibit B
Page 2

Wyoming	74%	74%
Puerto Rico	42%	47%
Alaska	0%	5%
Hawaii	0%	5%
Guam	0%	5%
Virgin Islands	0%	5%

SINGLE FAMILY HOUSING PROGRAM MANAGEMENT AND SERVICING GOALS
THROUGH JUNE 30, 1990

INTRODUCTION

Attainable goals help us achieve the mission of the SFH program. Goals are established to focus on:

- Fully utilize funds allocated for low income app
- Improve underwriting measures for new loan.
- Utilize servicing tools such as daily fee, interest credit, moratoriums, budgets, additional payment agreements and counseling to assist borrowers in becoming successful homeowners.
- Increased emphasis on graduation of borrowers to private credit.
- Management and care of abandoned and inventory properties, repairing program inventory, and selling expeditiously to fulfill the agency mission.

LOANMAKINGLoan Underwriting Criteria

A high percentage of delinquent first-year borrowers may indicate that County Supervisors are approving loans for applicants that are not credit worthy. Therefore, State Directors that have a first-year delinquency rate above the National average must monitor loan making activity at the county office in order to determine if the problem stems from selection of applicants, ineffective loan servicing or other factors. A monthly report (Report Code 568) is scheduled for distribution to states beginning in November 1989 that will show the number and percent of first-year borrowers delinquent.

For those States with high first-year delinquency, the State Director must provide training to County Supervisors in what are acceptable underwriting criteria for the Section 502 RH program, including proper budget preparation and credit history evaluation.

1994(1951)

Funds Targeted for Underserved Areas

To further the Agency objective of assisting areas of greatest need, we are targeting a portion of the Section 502 and 504 National Office reserve funds for underserved areas. This Rural Housing Targeting Demonstration Program (RHTDP) is described in FY-90 Exhibit A of FmHA Instruction 1940-L. Briefly, underserved areas were initially determined by ranking the counties based on percentage of substandard housing units and percentage of households with incomes below 50 percent of median. For the highest ranking counties, the housing units funded for the past three fiscal years as a percentage of the total rural households below 80 percent of area median income was determined and those below the state average were considered tentatively underserved. State Directors with targeted counties must place special management emphasis on the utilization of targeted funds and will provide appropriate guidance and follow-up to the county office staff.

Section 502 Very Low-Income Loanmaking Goals

A review of Fiscal Year 1989 (FY-89) Section 502 rural housing (RH) loan processing activity indicates that significant progress was made toward achieving the goal of more balanced obligation of funds in each month of the year.

We have established FY-90 goals that continue to move us in the direction of balanced usage for very low-income funds. The very low-income goals are 20% first quarter, 40% second quarter, 70% third quarter and the balance in the fourth quarter. The exhibit shown on page 6, contains the quarterly obligation goals. The National Office will provide periodic reports showing each State's progress in meeting the goals.

The Farm and Housing Activity report continues to show approximately 65,000 Section 502 applications on hand. With this current level of program interest, each office must be sensitive to those needs and respond in a timely manner. State Directors are encouraged to fully utilize available very low-income funds and to meet the Agency's objective in serving rural families through an effective outreach program in FY-90. One factor in considering requests for low-income funds from the National Office reserve will be whether the State has or will meet its very low-income obligation goal. Each State Director must establish management controls to make certain that loans are not processed to the point of approval unless allocated funds are available or prior approval has been received for sufficient National Office reserve funds to obligate the loans.

504 Loan and Grant Activity

It is most important that each State Director emphasize the need for the 504 RH loan program. Your goal should be for each County Office to process at least one loan during the fiscal year. District Directors need to follow up with their respective County Offices during the First Quarter of the Fiscal Year to ascertain what efforts the Supervisor needs to make in order to accomplish this objective. The District Directors should furnish

1994(1951)

the State Director a report no later than the 1st of January on the results of their efforts.

The amount of 504 RH grant funds continues to be in short supply. Our review of 504 RH grant dockets indicates that we need to strengthen the "Budget and/or Financial Statement". We believe that this effort could greatly increase the use of 504 RH loan funds and save a considerable amount of grant funds for the more "truly needy".

LOAN SERVICING

Accomplishments

The delinquency rate for SFH borrowers remained fairly stable during the past year. The established goal of 10 percent for delinquent annual payment borrowers was achieved. The final delinquent percentage was 9.7 percent and everyone is congratulated for this noteworthy achievement. Our delinquency rate of 8.1 nationwide as of July 1, 1989 was slightly above the established goal of 7.0 for SFH monthly payment borrowers. Many states made significant progress in reducing delinquencies and reached or surpassed the established goals.

The percentage of loans graduated compared to the loan portfolio continues to decline. Increased emphasis must be given to our refinancing efforts by June 30, 1990. Graduation of eligible borrowers is one of FmHA's primary servicing tools to manage its portfolio.

Graduation

A major credit management goal is to have as many borrowers as possible graduate to private credit. Each State is expected to place increased emphasis on graduation and to have a monitoring system to assure that maximum success is obtained. In order to achieve the greatest potential graduation, it is important that county offices review their caseload for candidates according to regulations, promptly initiate graduation requests, and vigorously pursue to payoff those identified as being able to graduate. Although specific numeric goals are not established, each State's graduation results will be reviewed by the National Office throughout the year.

Servicing and Supervision

It is necessary for greater emphasis to be placed on not only the reduction in delinquency rate but the number of delinquent dollars outstanding. Nationally, the number of delinquent dollars outstanding on all Single Family Housing borrowers totaled \$313,565,000 as of June 30, 1989. This dollar delinquency is unacceptable and States must begin to concentrate their efforts to reduce their individual dollar delinquency. A recent change in delinquency reporting includes the delinquent dollars (RC 580, 581, 582 and 583). We recommend servicing efforts be concentrated in offices where the delinquency rate and/or dollars delinquent is above the State or National average. County Offices that have reached the desired

1994(1957)

goal should direct their effort toward maintenance of the delinquency rate and amount of dollars delinquent.

Full consideration should be given to converting delinquent annual payment borrowers who have monthly income to monthly payments in order to maximize the use of additional payment agreements as servicing tools. When an account is reamortized, an advance is made, or other servicing actions are offered to annual payment borrowers with monthly income, county offices should make sure these borrowers are converted to monthly payments.

Each State has been given a delinquency percentage goal to achieve for SFH monthly and annual payment borrowers by June 30, 1990. Goals have also been set for reducing the percentage of actual delinquency. These are considered realistic and attainable goals.

Monthly and annual payment servicing goals have been established for each State using the following table and information from FmHA Report 581, "Rural Housing Monthly Payment Delinquency Report," FmHA Report 583, "Rural Housing Annual Payment Delinquency Report," as of July 1, 1989; and Report Code 616, "Insured Borrowers Delinquent," as of June 30, 1989.

<u>Category</u>	<u>Goal</u>
1. 6.9% and below	Maintain July 1, 1989 delinquency rate
2. 7.0% through 9.9%	7 percent or rate on the July 1, 1989, report minus 10 percent, whichever is higher
3. 10% through 11.4%	July 1, 1989, report rate minus 15 percent
4. 11.5% and above	July 1, 1989, report rate minus 20 percent

Actual Delinquency Percentage Rate Goals

<u>Category</u>	<u>Goal</u>
1. 10% and below	July 1, 1989, report rate minus 10 percent
2. 10.1% through 20.0%	July 1, 1989, report rate minus 20 percent
3. 20.1 and above	July 1, 1989, report rate minus 25 percent

PROPERTY MANAGEMENT

ACCOMPLISHMENTS

It was a successful year for SFH property management. We achieved the nationwide goal for reduction of the number of inventory properties. Many States met their goal for reduction of inventory numbers and/or reduction of retention times. Our goal was to be below 10,000 SFH inventory properties by June 30, 1989. We made it to 9082! Congratulations to all of you who helped achieve this goal.

GOALS

Even though the number of inventory properties has decreased dramatically during the past year, much of the reduction can be attributed to the reduction in acquisitions. While this is a tremendous move in the right direction, additional emphasis is needed in the reduction of retention time. The goals for SFH inventory for the coming year are:

Avg. Mo. Held 6/30/89	Reduction Goals for Average Months Held:	
	Program	Nonprogram
3 or less	-	-
3.1 to 6	-	5%
6.1 to 9	5%	15%
9.1 to 12	15%	30%
12.1 to 15	30%	45%
15.1 to 18	45%	60%
Over 18	60%	75%

States which have a retention time on June 30, 1990 of 6 months or less for program property and 3 months or less for nonprogram property will have met their retention time goals. We also project goals for the reduction of the number of properties in inventory for each State by June 30, 1989. The goal is the lower of:

1. Maintaining the current number of inventory properties;
2. Reducing the number of inventory properties in proportion to the retention time reduction goal; or
3. Reducing the number of inventory properties halfway towards one percent of caseload.

States which have a * goal will have met their goal if the number is below 10. It is also a goal to have no program property in inventory on June 30, 1990 which was acquired before July 1, 1989, and no nonprogram property in inventory which was acquired before January 1, 1990.

If vigorous marketing techniques are used, transfers are encouraged and the deed in lieu of foreclosure (voluntary conveyance) policy followed, we estimate the retention time goals will be met and the SFH inventory property level will be below 8,000 by June 30, 1990. Continued use of private sector services for securing, repairing, maintaining and selling inventory properties is essential.

KEEP UP THE GOOD WORK!

199.4(1951)

FY-90 SECTION 502 VERY LOW-INCOME OBLIGATION GOALS *
(dollars in thousands based on FY-89 allocations)

Attachment B

Page 6

STATE	GOAL 20% 12/31/89	GOAL 40% 3/31/90	GOAL 70% 6/30/90
ALABAMA	2,360	4,721	8,261
ARIZONA	886	1,773	3,102
ARKANSAS	1,762	3,524	6,167
CALIFORNIA	3,220	6,441	11,271
COLORADO	772	1,545	2,703
CONNECTICUT	654	1,308	2,288
DELAWARE	215	431	754
FLORIDA	2,242	4,483	7,846
GEORGIA	3,042	6,084	10,647
IDAHO	599	1,197	2,095
ILLINOIS	2,629	5,258	9,201
INDIANA	2,436	4,872	8,525
IOWA	1,570	3,141	5,496
KANSAS	1,175	2,351	4,114
KENTUCKY	2,753	5,506	9,636
LOUISIANA	2,057	4,115	7,201
MAINE	891	1,782	3,119
MARYLAND	1,008	2,016	3,528
MASSACHUSETTS	1,090	2,180	3,918
MICHIGAN	3,080	6,159	10,778
MINNESOTA	1,795	3,590	6,252
MISSISSIPPI	2,051	4,102	7,178
MISSOURI	2,203	4,405	7,709
MONTANA	509	1,017	1,780
NEBRASKA	751	1,501	2,627
NEVADA	180	360	631
NEW HAMPSHIRE	546	1,092	1,912
NEW JERSEY	866	1,733	3,032
NEW MEXICO	732	1,464	2,562
NEW YORK	3,085	6,170	10,798
NORTH CAROLINA	4,141	8,281	14,492
NORTH DAKOTA	425	850	1,488
OHIO	3,590	7,179	12,564
OKLAHOMA	1,507	3,014	5,274
OREGON	1,234	2,469	4,320
PENNSYLVANIA	4,277	8,554	14,970
RHODE ISLAND	137	274	479
SOUTH CAROLINA	2,099	4,198	7,347
SOUTH DAKOTA	521	1,042	1,823
TENNESSEE	2,606	5,212	9,122
TEXAS	4,632	9,264	16,211
UTAH	342	683	1,196
VERMONT	427	854	1,495
VIRGINIA	2,625	5,250	9,188
WASHINGTON	1,450	2,900	5,074
WEST VIRGINIA	1,695	3,391	5,934
WISCONSIN	2,098	4,196	7,343
WYOMING	304	608	1,064
ALASKA	324	649	1,135
HAWAII	294	589	1,030
W. PACIFIC AREAS	662	1,325	2,318
PUERTO RICO	5,556	11,112	19,445
VIRGIN ISLANDS	244	488	854
STATE TOTALS	88,349	176,703	309,226

* The actual obligation goals will be based on the FY-90 allocations when known, but the percentage goals will remain unchanged.

1994(1951)

SINGLE FAMILY HOUSING SERVICING GOALS THROUGH JUNE 30, 1990

Monthly Borrowers

Annual Borrowers

Attachment B

Delinquent

Page 7

ST.	Status 7/01/89		Goal 6/30/90		Status 7/01/89		Goal 6/30/90	
	RC 581 %Delin.	RC 616 %Delin.	RC 581 %Delin.	RC 616 %Delin.	RC 583 %Delin.	RC 616 %Delin.	RC 583 %Delin.	RC 616 %Delin.
AL	5.7	14.0	5.7	11.2	6.4	13.0	6.4	10.4
AK	6.7	14.0	6.7	11.2	0.0	0.0	0.0	0.0
AZ	4.3	14.0	4.3	11.2	12.0	16.0	9.6	12.8
AR	6.9	18.0	6.9	14.4	12.7	19.0	10.2	15.2
CA	9.1	17.0	8.1	13.6	16.8	33.0	13.4	24.8
CO	10.2	21.0	8.7	15.8	15.3	21.0	12.2	15.8
CT	5.7	13.0	5.7	10.4	12.0	12.0	9.6	9.6
DE	5.8	19.0	5.8	15.2	7.7	63.0	7.0	47.3
FL	7.0	17.0	7.0	13.6	10.8	52.0	9.2	39.0
GA	11.8	25.0	9.4	18.8	17.6	29.0	14.1	21.8
HA	9.0	15.0	8.1	12.0	0.0	15.0	0.0	12.0
ID	8.5	18.0	7.7	14.4	13.1	24.0	10.5	18.0
ILL	8.5	18.0	7.7	14.4	7.5	21.0	7.0	15.8
IN	7.6	19.0	7.0	15.2	13.0	61.0	10.4	45.8
IA	4.1	10.0	4.1	9.0	8.8	14.0	7.9	11.2
KS	7.0	15.0	7.0	12.0	6.7	13.0	6.7	10.4
KY	6.4	16.0	6.4	12.8	4.5	8.0	4.5	7.2
LA	11.9	32.0	9.5	24.0	19.0	61.0	15.2	45.8
ME	8.7	23.0	7.8	17.3	4.7	10.0	4.7	9.0
MD	5.6	17.0	5.6	13.6	8.4	9.0	7.6	8.1
MA	5.4	14.0	5.4	11.2	25.0	0.0	20.0	0.0
MI	8.4	19.0	7.6	15.2	14.0	28.0	11.2	21.0
MN	7.3	14.0	7.0	11.2	20.4	30.0	16.3	22.5
MS	11.0	22.0	9.4	16.5	6.9	11.0	6.9	8.8
MO	6.0	15.0	6.0	12.0	11.8	18.0	9.4	14.4
MT	7.1	16.0	7.0	12.8	13.2	23.0	10.6	17.3
NE	5.5	13.0	5.5	10.4	4.6	16.0	4.6	12.8
NV	6.8	14.0	6.8	11.2	10.0	0.0	8.5	0.0
NH	4.6	14.0	4.6	11.2	15.1	16.0	12.1	12.8
NJ	7.9	24.0	7.1	18.0	13.8	64.0	11.0	48.0
NM	10.8	23.0	9.2	17.3	8.4	12.0	7.6	9.6
NY	10.1	19.0	8.6	15.2	15.6	33.0	12.5	24.8
NC	5.1	11.0	5.1	8.8	4.6	8.0	4.6	7.2
ND	8.4	19.0	7.6	15.2	17.1	30.0	13.7	22.5
OH	7.9	19.0	7.1	15.2	9.0	54.0	8.1	40.5
OK	12.3	25.0	9.8	18.8	14.9	31.0	11.9	23.3
OR	6.7	16.0	6.7	12.8	7.4	10.0	7.0	9.0
PA	6.5	17.0	6.5	13.6	13.0	20.0	10.4	16.0
PR	10.3*	27.0*	8.8*	20.3*	12.7*	15.0*	10.2*	12.0*
RI	4.4	12.0	4.4	9.6	0.0	0.0	0.0	0.0
SC	5.2	14.0	5.2	11.2	12.7	23.0	10.2	17.3
SD	6.2	12.0	6.2	9.6	10.3	19.0	8.8	15.2
TN	8.2	19.0	7.4	15.2	12.7	16.0	10.2	12.8
TX	13.2	22.0	10.6	16.5	12.5	16.0	10.0	12.8
UT	7.9	22.0	7.1	16.5	10.3	15.0	8.8	12.0
VT	4.7	11.0	4.7	8.8	9.2	14.0	8.3	11.2
VA	7.0	22.0	7.0	16.5	9.4	14.0	8.5	11.2
VI	8.9	18.0	8.0	14.4	6.7	14.0	6.7	11.2
WA	7.5	12.0	7.0	9.6	18.9	27.0	15.1	20.3
WPT	7.0	12.0	7.0	9.6	0.0	0.0	0.0	0.0
WV	9.5	19.0	8.5	15.2	6.8	9.0	6.8	8.1
WI	5.7	19.0	5.7	15.2	15.8	40.0	12.6	30.0
WY	6.9	17.0	6.9	13.6	9.1	17.0	8.2	13.6

*FmHA State Office not required to attain goal due to the Servicing and Collection Pilot Contract in effect

1994(1951)

SINGLE FAMILY HOUSING PROPERTY MANAGEMENT GOALS

Attachment B

Page 8

ST	NUMBER OF INVENTORY		AVERAGE MONTHS HELD IN INVENTORY			
			PROGRAM		NONPROGRAM	
	6/30/89 ACTUAL	6/30/90 GOAL	6/30/89 ACTUAL	6/30/90 GOAL	6/30/89 ACTUAL	6/30/90 GOAL
AL	435	170	32.3	12.9	49.8	12.5
AK	94	40	25.6	10.2	10.0	7.5
AZ	102	80	6.7	6.4	7.7	6.5
AR	346	280	8.1	7.7	7.1	6.0
CA	163	150	6.6	6.3	8.2	7.0
CO	282	160	16.4	9.8	17.7	8.1
CT	4	*	10.3	8.8	12.4	8.1
DE	11	10	7.0	6.7	8.1	6.9
FL	298	240	8.4	8.0	11.6	8.1
GA	290	250	9.8	8.3	9.1	7.5
HI	4	*	4.7	4.7	15.6	8.1
ID	156	110	8.5	8.1	8.5	7.2
IL	164	150	8.1	7.7	6.2	5.5
IN	258	190	10.1	8.6	7.9	6.7
IA	50	40	6.0	6.0	6.3	5.5
KS	119	90	6.7	6.4	8.2	7.0
KY	117	110	5.1	5.1	5.1	4.9
LA	689	440	9.2	8.2	7.6	6.5
ME	27	20	9.9	8.4	5.0	4.8
MD	33	30	10.9	9.3	7.5	6.4
MA	2	*	0.0	0.0	4.8	4.6
MI	201	180	8.4	8.0	7.1	6.0
MN	106	90	10.5	8.9	8.3	7.1
MS	626	520	10.1	8.6	14.2	8.1
MO	210	190	6.3	6.0	5.3	5.0
MT	131	80	11.1	9.4	9.5	7.5
NE	40	40	4.1	4.1	4.9	4.7
NV	11	10	11.5	9.8	20.1	8.1
NH	3	*	6.5	6.2	3.6	3.4
NJ	38	30	10.1	8.6	7.6	6.5
NM	226	140	16.2	9.8	14.0	8.1
NY	89	60	16.0	9.8	10.4	7.5
NC	185	150	9.8	8.3	9.1	7.5
ND	236	140	9.4	8.2	9.2	7.5
OH	200	150	13.1	9.8	9.2	7.5
OK	523	340	12.4	9.8	9.1	7.5
OR	133	110	7.5	7.1	6.2	5.5
PA	104	90	7.3	6.9	8.5	7.2
PR	368	150	26.0	10.4	17.8	8.1
RI	0	*	0.0	0.0	0.0	0.0
SC	357	330	4.8	4.8	5.8	5.5
SD	42	40	5.3	5.3	5.7	5.4
TN	284	260	6.5	6.2	6.9	5.9
TX	576	430	10.5	8.9	10.3	7.5
UT	74	60	10.3	8.8	9.4	7.5
VT	4	*	0.0	0.0	5.2	4.9
VI	4	*	35.7	14.3	23.4	8.1
VA	205	180	8.6	8.2	12.7	8.1
WA	98	80	10.2	8.7	12.4	8.1
WV	135	110	9.3	8.2	8.8	7.5
WPT	6	*	3.6	3.6	4.3	4.1
WI	145	130	6.7	6.4	7.6	6.5
WY	78	50	6.2	6.0	5.8	5.5

1994(1951)

MULTIPLE FAMILY HOUSING PROGRAM MANAGEMENT GOALS
THROUGH JUNE 30, 1990

INTRODUCTION

A review of Fiscal Year 1989 Multiple Family Housing portfolio showed significant progress was made toward achieving an acceptable delinquency rate nationwide. Through your efforts, the delinquency percentage dropped from 9 percent as of June 30, 1988, to 5 percent as of June 30, 1989. Forty State Offices met or exceeded the goal established with the 1989 servicing AN. This leaves a balance of six States that did not meet their goal. We appreciate your efforts in reducing the delinquencies and commend those States that met their goals. Now that the number of delinquencies is at a manageable level, we will be looking at a number of different servicing and management issues during Fiscal Year 1990.

LOAN SERVICING AND SUPERVISION

The RRH and LH goals for FY 90 are shown on pages 5 and 6. Those States with delinquency rates at 5 percent or less are to continue to service their accounts in a manner that will enable them to maintain the present level of current accounts. Those same States need to provide extra attention and guidance to those District Offices within their States that exceed the National delinquency average. In addition, those States with a delinquency of 5 percent or less should place greater emphasis on other servicing concerns, such as rebuilding insufficient reserve account levels, stressing correction of deferred maintenance, reducing vacancies, correcting real estate tax deficiencies, obtaining delinquent annual reports, audits, budgets and making supervisory visits.

States with delinquency percentages in excess of 5 percent have been assigned a goal that we believe is obtainable. The National Office will be carefully monitoring progress made in these States to assure that all available servicing tools are being provided.

We believe that good loan portfolio management begins with sound loan making. Good loanmaking decisions include insistence on obtaining quality management and the development of effective management plans. These plans must reflect sound marketing strategies, maintenance of required accounts, provisions for quality maintenance, and an agreement on fees that are commensurate with the services provided. Efforts in this area will result in fewer problem projects.

1994 (1951)

DELINQUENCY REDUCTION PLANS

Each State Office will continue to prepare a State delinquency reduction plan based on the information received from their District Offices in accordance with FmHA Instruction 1965-B, Section 1965.85 (b) (1). However, State Offices should summarize the information and submit it to the National Office using the format contained in pages 7 and 8. We believe this information will enable us to better monitor each State's efforts to manage their loan portfolio and help us provide effective guidance to field offices. The information requested must be updated each quarter starting with September 30, 1989, and submitted to the National Office within 30 days from the ending date of the corresponding quarter.

The National Office will in turn provide a quarterly update to the State Offices which will include a goals progress status report and any necessary recommendations for corrective action.

INVENTORY PROPERTY MANAGEMENT

Management of inventory property (LH and RRH) must become a priority with States experiencing difficulties in marketing or a growth in the number of projects in inventory. Any property in inventory should be managed and made ready for sale in the most expeditious manner using the authorities contained in FmHA Instructions 1955-B & C. The National Office should be contacted for assistance in the sale of a property experiencing marketing difficulties.

State offices should review their inventory property portfolio with specific emphasis on properties in inventory more than six (6) months and establish policies to effectively dispose of these properties. If there is inventory property listed on pages 5 and 6 that have been disposed of, please attach a copy of Form 1965-20 to the quarterly servicing update to the National Office.

For individual LH units being serviced in the county office, the District Director should provide the assistance necessary to enable the County Supervisor to effectively manage the inventory. The National Office will request information on inventory management on an as needed basis.

MANAGING THE UNDERWRITING PROCESS FOR THE RURAL RENTAL HOUSING PROGRAM

States should manage the processing of applications with an overall objective to maximize the use of RRH funds in areas of need. Each State needs to be cognizant of those underserved rural areas of the State and to assure our program is reaching those most in need. Also, market feasibility needs to be determined early in the preapplication stage and should be based on appropriate market studies coupled with knowledge of the market area. Proposed building sites should be analyzed on a community-by-community basis, to assure that necessary services are available and adequate.

Additionally, beginning in FY 1990, appraisals will be handled mostly by contract appraisers; therefore, each State will need to make sure their review appraisers are thoroughly trained.

Cost containment is still of great importance and every effort should be made to assure we are meeting this objective.

Once again, we ask that you carefully plan your loanmaking activities so that loan funds are used throughout the year. Several States could not get their projects funded in FY 89 because they waited too long and were not able to secure reserve funds. PLEASE DO NOT DELAY OBLIGATING LOAN FUNDS. ALSO KINDLY SEND DOCKETS THAT NEED NATIONAL OFFICE REVIEW TO THE NATIONAL OFFICE EARLY IN THE YEAR.

FUNDS TARGETED FOR UNDERSERVED AREAS

To further the Agency's objective of assisting areas of greatest need, we are targeting a portion of the Section 515 National Office reserve funds for underserved areas. This Rural Housing Targeting Demonstration Program (RHTDP) is described in the FY 1990 Exhibit A of FmHA Instruction 1940-L. Briefly, underserved areas were initially determined by ranking the counties based on percentage of substandard housing units and percentage of households with incomes below 50 percent of median. For the highest ranking counties, the housing units funded for the past three fiscal years as a percentage of the total rural households below 80 percent of area median income was determined and those below the State average were considered tentatively underserved. State Directors with targeted counties must place special management emphasis on the utilization of targeted funds and will provide appropriate guidance and follow-up to the District office staff.

1994(1951)

MANAGING THE UNDERWRITING PROCESS FOR FARM LABOR HOUSING LOANS AND GRANTS

Whether on-farm or off, long-term demand for farm labor is the key underwriting determination needed for the LH program. Areas of declining labor intensive crops need special evaluation to assure a base demand for the program. Conversely, agricultural areas developing labor intensive crops or orchards may be excellent areas for new facilities.

FY 1989 showed a strong increase in on-farm loan use. Proposals needing loan and grant funds should be developed and approved early in the year to avoid loan shortfall later. We continue to emphasize that the LH program is essentially a loan program, using grants only to reduce amortization costs and lower rents. As loans, they need the same servicing and monitoring attention.

MONITORING OF HOUSING PRESERVATION GRANTEES

Quarterly reports should continue to be used for checking grantee progress and accomplishment of objectives. Within the first six months of operation, grantees should be specifically checked to assure compliance with their own procedures for operating the HPG grant. Please pay close attention to homeowner and contractor selection to assure Equal Opportunity policies are met, and to unit selection to assure that the pre-rehabilitation inspection is thorough and that projected work will be within grantee's cost guidelines.

1994(1957)

ATTACHMENT C

Page 5

RURAL RENTAL HOUSING PORTFOLIO - JUNE 1989

STATE	ACTIVE CASELOAD	DELINQUENCY STATUS			INVENTORY STATUS		
		NO DELQ	PERCENT DELQ	FY 90 GOAL	CURRENT NO OF PJCTS	INVT'Y NO OF UNITS	NO OF PJCTS IN INVT'Y 6 MONTHS +
ALABAMA	467	27	6	24	1	16	1
ALASKA	34	2	6	1	0	0	
ARIZONA	85	5	6	4	1	12	1
ARKANSAS	271	15	6	13	2	'	
CALIFORNIA	355	13	4	13	0		
COLORADO	134	12	9	10	1		1
DELAWARE	146	0	0	0	0		
FLORIDA	338	19	6	17		0	
GEORGIA	361	15	4	15		0	
HAWAII	18	1	6			0	
IDAHO	209	4	2		0	0	
ILLINOIS	709	23			0	0	
	548				1	22	1
				24	2	8	2
INDIANA	270	11	3	11	0	0	
IOVA	299	6	2	6	0	0	
			6	16	0	0	
MAINE	318	0	0	0	0	0	
MASSACHUSETTS	117	4	3	4	0	0	
MICHIGAN	553	22	4	22	2	54	2
MINNESOTA	738	15	2	15	0	0	
MISSISSIPPI	423	28	7	21	4	114	3
MISSOURI	933	15	2	15	0	0	
MONTANA	170	6	4	6	0	0	
NEBRASKA	251	8	3	8	0	0	
NEVADA	63	2	3	2	0	0	
NEW JERSEY	68	5	7	3	0	0	
NEW MEXICO	73	4	5	4	1	8	
NEW YORK	360	9	3	9	2	20	2
NORTH CAROLINA	485	5	1	5	0	0	
NORTH DAKOTA	384	12	3	12	0	0	
OHIO	345	24	7	18	0	0	
OKLAHOMA	273	27	10	20	1	14	1
OREGON	187	6	3	6	0	0	
PENNSYLVANIA	242	11	5	11	0	0	
PUERTO RICO	47	2	4	2	0	0	
SOUTH CAROLINA	291	10	3	10	0	0	
SOUTH DAKOTA	586	17	3	17	0	0	
TENNESSEE	353	14	4	14	0	0	
TEXAS	693	92	13	83	0	0	
UTAH	86	12	14	10	0	0	
VERMONT	136	6	4	6	0	0	
VIRGINIA	178	7	4	7	0	0	
WASHINGTON	266	12	5	12	0	0	
WEST VIRGINIA	223	15	7	11	0	0	
WISCONSIN	584	21	4	21	0	0	
WYOMING	62	2	3	2	0	0	
NATIONAL TOTALS	15093	632	4	581	18	296	14

1994(1951)

ATTACHMENT C

Page 6

LABOR HOUSING PORTFOLIO - JUNE 1989

STATE	ACTIVE CASELOAD	DELINQUENCY STATUS			INVENTORY STATUS		
		NO DELQ	PERCENT DELQ	FY 90 GOAL	CURRENT NO OF PJCTS	INVT'Y NO OF UNITS	NO OF PJCTS IN INVT'Y 6 MONTHS +
ALABAMA	10	2	20	1	0	0	0
ALASKA	0	0	0	0	0	0	0
ARIZONA	14	0	0	0	0	0	0
ARKANSAS	295	26	9	18	2	3	2
CALIFORNIA	54	4	7	3	0	0	0
COLORADO	1	0	0	0	0	0	0
DELAWARE	7	2	29	1	0	0	0
FLORIDA	17	1	6	1	0	0	0
GEORGIA	2	0	0	0	0	0	0
HAWAII	47	1	2	0	0	0	0
IDAHO	12	0	0	0	0	0	0
ILLINOIS	2	0	0	0	0	0	0
INDIANA	1	1	100	0	0	0	0
IOWA	1	1	100	0	0	0	0
KANSAS	1	1	100	0	0	0	0
KENTUCKY	1	0	0	0	0	0	0
LOUISIANA	59	9	15	8	0	0	0
MAINE	13	0	0	0	0	0	0
MASSACHUSETTS	11	0	0	0	0	0	0
MICHIGAN	111	7	6	7	0	0	0
MINNESOTA	1	0	0	0	0	0	0
MISSISSIPPI	236	56	24	44	7	26	5
MISSOURI	0	0	0	0	0	0	0
MONTANA	3	1	33	0	0	0	0
NEBRASKA	4	0	0	0	0	0	0
NEVADA	0	0	0	0	0	0	0
NEW JERSEY	12	4	33	2	0	0	0
NEW MEXICO	2	0	0	0	0	0	0
NEW YORK	14	0	0	0	0	0	0
NORTH CAROLINA	15	4	27	3	0	0	0
NORTH DAKOTA	2	0	0	0	0	0	0
OHIO	2	1	50	1	0	0	0
OKLAHOMA	6	2	33	1	0	0	0
OREGON	14	0	0	0	0	0	0
PENNSYLVANIA	0	0	0	0	0	0	0
PUERTO RICO	0	0	0	0	0	0	0
SOUTH CAROLINA	74	17	23	12	2	2	0
SOUTH DAKOTA	2	0	0	0	0	0	0
TENNESSEE	87	9	10	7	0	0	0
TEXAS	25	1	4	1	1	40	1
UTAH	2	0	0	0	0	0	0
VERMONT	85	4	5	4	0	0	0
VIRGINIA	7	2	29	1	0	0	0
WASHINGTON	22	2	9	2	0	0	0
WEST VIRGINIA	0	0	0	0	0	0	0
WISCONSIN	9	1	11	1	0	0	0
WYOMING	0	0	0	0	0	0	0
NATIONAL TOTALS	1283	159	12	118	12	71	8

1994(1951)

ATTACHMENT C
Page 7

SUBJECT: Servicing Report
State of _____
Quarter Ending _____, 19____

TO: Administrator
Farmers Home Administration
Washington, D.C.

ATTENTION: Multiple Housing Servicing
and Property Management Division

SECTION I - RURAL RENTAL HOUSING (RRH)

1. Projects Delinquent, (not in litigation)
Servicing Plan Needed _____
2. Finance Office and District Office records
Do Not Agree; Audit needed _____
3. Servicing Actions Completed and In Finance
Office For Processing (no further District
Office action needed). _____
4. All Servicing Options Explored,
Problem Case Report To Be Prepared _____
5. Number of District Offices With Delinquency
Percentages Above 5% _____
6. State Vacancy Percentage _____
7. Number of District Offices With Vacancy
Percentage Above 10% _____
8. Number of Annual Reports Not Received _____
9. Number of Current Year Budgets Not Rec'd _____
10. Number of Supervisory Visits Not Done _____

1994(1957)

ATTACHMENT C
Page 8

SECTION II - LABOR HOUSING (LH)

1. Projects Delinquent (Not in litigation),
Servicing Plan Needed _____
2. Finance Office and District Office Records
Do Not Agree; Audit Trail Needed _____
3. Servicing Actions Completed and In Finance
Office For Processing (no further District
Office action needed) _____
4. All Servicing Options Explored,
Problem Case Report To Be Prepared _____
5. Number of Audit Reports Not Received _____
6. Number of Current Year Budgets Not Received _____

COMMENTS _____

(Share your ideas/concerns on reducing delinquencies and inventory management).

Signature

Date

Title

COMMUNITY PROGRAMS SERVICING GOALS THROUGH JUNE 30, 1990

INTRODUCTION

Community Programs has historically maintained a good record of account supervision as reflected in the very low borrower delinquency rates maintained over the last several years. Today's challenge serves to emphasize the importance of clearly defined servicing goals if we are to continue our record of effective service to rural America. To that end, we are reemphasizing community Programs' servicing goals.

LOAN PROCESSING

Community Program funds are allocated to each State based on formulas which provide an equitable distribution of funds. Each State Director is expected to use available program funds, personnel resources and approved contract services in line with sound loanmaking practices to provide financial assistance in rural areas and further the USDA rural development initiative. State Directors are encouraged to take action to promptly process eligible preapplications/applications and develop an effective public information program. Loan priority criteria stated in FmHA Instruction 1942-A, section 1942.17(c), should be given careful consideration in selecting projects for funding. For fiscal year 1990, \$5.5 million in Water and Waste Disposal loan and grant funds have been targeted for colonias along the U.S./Mexico border in Texas, Arizona, New Mexico and California.

LOAN SERVICING

Good loan servicing begins at the time a loan is obligated. It is the responsibility of FmHA to provide management assistance which will ensure borrower success and compliance with appropriate FmHA instructions.

The FmHA servicing official will review and approve each borrower's accounting and financial reporting system prior to loan closing or start of construction. Borrowers are to be closely monitored to assure that management reports are prepared in accordance with FmHA Instruction 1942-A, section 1942.17(q)(2). The initial review of the borrower's records and accounts will be made in accordance with section 1942.17(r)(1)(ii)(A). Subsequent reviews will be made for all delinquent borrowers and other borrowers having financial problems on at least a quarterly basis in accordance with section 1942.17(r)(1)(ii)(B).

The servicing official will ensure that all borrowers are promptly and properly notified of the amount and due date of payments. Furthermore, the servicing official will be responsible for monitoring the timely receipt of payments. All available servicing tools should be used in servicing delinquent and/or problem case accounts in accordance with applicable FmHA instructions.

199.4(1951)

Attachment D
Page 2

In cases where multiple advances are used, the servicing official should review the C1 Status screen on the Automated Discrepancy Processing System, and Report Code 584, "Listing of Accounts with Bond Payments Due," to verify that all multiple advances have been properly accounted for and the correct amount due is collected.

Delinquency goals established for each State are attached. We believe these goals are realistic and attainable through proper application of the servicing tools provided in applicable instructions.

In establishing 1990 delinquency goals for Water and Waste Disposal borrowers, each State's 1989 accomplishment was measured against the delinquency of June 30, 1989. The 1989 goals that were exceeded or not met were taken into account in establishing the 1990 goals. Consideration was given to States with "hard core" delinquent borrowers which have not been fully serviced, along with delinquent borrowers where legal action is pending.

In establishing the delinquency goals for Community Facilities, Recreation, Watershed, Indian Tribal Land Acquisition, Shift-in-land Use (Grazing), Irrigation and Drainage, Unincorporated EO Cooperative and Resource Conservation and Development borrowers, each delinquent account was reviewed and a decision made regarding the goals for each State. History of the delinquency and the amount of delinquency are the major factors considered in reviewing the accounts.

Accounts with small delinquencies are expected to be paid current. Closer review and confirmation of billings must be done before notifying borrowers of amounts due for the year. Borrowers who have a delinquency but are making progress should be considered for reamortization. Those delinquent borrowers who have tax levying authorities should be encouraged to use those authorities in bringing their account to a current status.

The delinquent borrower status as of June 30, 1989, was taken from Report Code 616, "Active Borrowers Delinquent," furnished by the Finance Office.

1994(1951)

WATER AND WASTE DISPOSAL SERVICING GOALS
THROUGH JUNE 30, 1990

	DELINQUENT BORROWERS*	
	STATUS 6/30/89	GOAL 6/30/90
ALABAMA	5	3
ARIZONA	0	0
ARKANSAS	4	1
CALIFORNIA	2	2
COLORADO	0	0
DELAWARE	0	0
MARYLAND	0	0
FLORIDA	0	0
GEORGIA	1	1
IDAHO	0	0
ILLINOIS		2
INDIANA		3
IOWA		2
KANSAS		3
KENTUCKY		0
LOUISIANA	4	3
MAINE	0	0
MASSACHUSETTS	1	0
CONNECTICUT	0	0
RHODE ISLAND	0	0
MICHIGAN	0	0
MINNESOTA	0	0
MISSISSIPPI	4	1
MISSOURI	0	0
MONTANA	1	1
NEBRASKA	0	0
NEW JERSEY	0	0
NEW MEXICO	1	1
NEW YORK	1	1
NORTH CAROLINA	0	0
NORTH DAKOTA	0	0
OHIO	0	0
OKLAHOMA	9	5
OREGON	0	0
PENNSYLVANIA	5	4
SOUTH CAROLINA	0	0
SOUTH DAKOTA	1	0
TENNESSEE	2	2
TEXAS	6	5
UTAH	0	0
NEVADA	0	0
VERMONT	0	0
NEW HAMPSHIRE	2	0
VIRGIN ISLANDS	0	0
VIRGINIA	2	2
WASHINGTON	0	0
WEST VIRGINIA	4	4
WISCONSIN	0	0
WYOMING	0	0
ALASKA	0	0
HAWAII-AM. SOMA	0	0
W. PACIFIC TERR.	0	0
PUERTO RICO	3	0
NATIONAL TOTAL	71	46

*6/30/89 Status from Report Code 616

1994(1951)

CF Division Servicing Goals
Through June 30, 1990

State	CF		REC		WS		RC&D	
	Del 7/31/89	Goal 6/30/90	Del 7/31/89	Goal 6/30/90	Del 7/31/89	Goal 6/30/90	Del 7/31/89	Goal 6/30/90
Alabama	1	1						
Arizona	1	0						
Arkansas					2	0		
California	2	1						
Colorado								
Delaware								
Maryland								
Florida								
Georgia			1	1			2	1
Idaho								
Illinois	3	2	1	0				
Indiana	1	0						
Iowa	1	0						
Kansas			1	0				
Kentucky								
Louisiana	2	1						
Maine								
Massachusetts								
Connecticut								
Rhode Island					1	1		
Michigan	1	1						
Minnesota					1	0		
Mississippi			1	0				
Missouri	1	0	2	1				
Montana							1	0
Nebraska			0	1				
New Jersey	1	0					2	1
New Mexico								
New York	3	1						
North Carolina	1	0	2	0				
North Dakota								
Ohio			1	0				
Oklahoma	1	1	1	0			1	1
Oregon			1	1				
Pennsylvania	1	0						
South Carolina								
South Dakota	1	1						
Tennessee	2	1						
Texas	7	5			2	2		
Utah								
Nevada								
Vermont								
New Hampshire								
Virgin Islands								
Virginia	1	0					1	1
Washington			1	0				
West Virginia	1	1						
Wisconsin	1	0	1	0			1	0
Wyoming								
Alaska							1	1
Hawaii-AM. Samoa								
W. Pacific Terr.								
Puerto Rico								
Totals	33	16	15		4	4	1	9

*July 31, 1989, status from Report Code 616.

1994(1951)

Attachment D
Page 5CF Division Servicing Goals
Through June 30, 1990*

State	Ind. Tribal		EO CO-OP		I&D		Grazing	
	Del 7/31/89	Goal 6/30/90	Del 7/31/89	Goal 6/30/90	Del 7/31/89	Goal 6/30/90	Del 7/31/89	Goal 6/30/90
Alabama								
Arizona								
Arkansas							1	0
California								
Colorado								
Delaware								
Maryland								
Florida								
Georgia								
Idaho					6	4	1	1
Illinois								
Indiana								
Iowa								
Kansas	1	1						
Kentucky								
Louisiana								
Maine								
Massachusetts								
Connecticut								
Rhode Island								
Michigan								
Minnesota								
Mississippi								
Missouri								
Montana							3	2
Nebraska							1	0
New Jersey								
New Mexico			1	0	1	1	1	1
New York								
North Carolina								
North Dakota								
Ohio								
Oklahoma							1	1
Oregon							2	1
Pennsylvania								
South Carolina								
South Dakota								
Tennessee								
Texas								
Utah							1	0
Nevada								
Vermont								
New Hampshire								
Virgin Islands								
Virginia								
Washington								
West Virginia								
Wisconsin								
Wyoming								
Alaska								
Hawaii-AM. Samoa							2	1
W. Pacific Terr.								
Puerto Rico								
Totals	1	1	1	0	12	9	11	6

1994(1951)

BUSINESS AND INDUSTRY DIVISION

SERVICING GOALS

THROUGH JUNE 30, 1990

INTRODUCTION

Specific plans must be established to achieve the Farmers Home Administration (FmHA) Business and Industry (B&I) mission. Heavy emphasis should be placed on loan processing and servicing.

LOAN PROCESSING

B&I loanmaking for fiscal year 1990 should be directed toward stimulating employment in rural areas.

The public, lenders, community organizations and local Governments should be made aware of the opportunities available under the B&I program. Loan priority criteria stated in FmHA Instruction 1942-A, section 1942.17(c), should be given careful consideration in selecting projects for funding.

LOAN SERVICING AND SUPERVISION

B&I guaranteed loan delinquency rates as of June 30, 1989, increased nationally by .4 percent over the same period 1-year ago, and we need to improve our servicing efforts. The reduction in the number of delinquent B&I borrowers and the prevention of delinquent borrowers continue to be a high priority of Community and Business Programs. Taking these factors into consideration, the attached table shows:

1. The number of delinquent borrowers as of June 30, 1989.
2. June 30, 1990, goal for number of delinquent borrowers.

The methodology used in establishing goals for individual State Offices includes:

1. The type of portfolio and the economics involved in the State.
2. State delinquency as compared to national delinquency rate.

Recommended actions within the State to meet the established goals include:

1. Assign sufficient staff to accomplish servicing actions.
2. Confine appropriate staff to specific servicing activities.

1994(1951)

Attachment E

Page 2

3. "Earmark" definite travel funds to accomplish needed servicing field trips.
4. Establish realistic objectives, tasks and scheduling to work toward meeting and exceeding the delinquency goals for your State.
5. Work closely with lenders as they service loans in bankruptcy or liquidate loans to maximize recovery.
6. Require regular field trips, lender interviews and site inspections by Chief and/or Specialist on problem and delinquent accounts.
7. Review monthly the progress being made and document properly.
8. Require the lender to meet its servicing responsibilities, especially during bankruptcy and other problem loans.
9. As required by FmHA Instruction 1980-E, section 1980.497(a), seek the early advice of the Regional Attorney on all bankruptcy cases, workouts and liquidations.

Since economic conditions are improving, we expect to see a marked reduction in the number of delinquent loans within the next 12 months. The reductions are reflected as goals in the attached table. You are expected to review these goals and take any necessary action to be sure they are met or surpassed.

1994(1957)

Attachment E

Page 3

Business and Industry Program Management
and Servicing Goals

State Office	Delinquency Goals for 6/30/89 in No. of Borrowers Not to Exceed	Delinquency as of 6/30/89 Number	Delinquency Goals for 6/30/90 in No. of Borrowers Not to Exceed
Alabama	5	4	3
Alaska	3	4	3
Arizona	2	3	2
Arkansas	12	10	8
California	3	2	1
Colorado	6	8	6
Del/Md	0	0	0
Florida	1	1	1
Georgia	8	10	8
Hawaii	0	0	0
Idaho	2	2	2
Illinois	4	4	3
Indiana	4	6	4
Iowa	4	5	3
Kansas	4	4	3
Kentucky	7	7	5
Louisiana	26	24	20
Maine	3	4	3
Mass/Conn/RI	0	1	0
Michigan	5	8	6
Minnesota	3	1	1
Mississippi	4	5	4
Missouri	3	3	2
Montana	5	4	3
Nebraska	2	1	1
New Jersey	0	1	0
New Mexico	3	5	4
New York	10	10	8
N. Carolina	5	7	5
N. Dakota	8	5	4
Ohio	4	4	4
Oklahoma	3	10	6
Oregon	3	3	2
Pennsylvania	1	2	1
Puerto Rico	12	13	10
S. Carolina	8	9	8
S. Dakota	4	6	4
Tennessee	8	8	6
Texas	23	41	35
Utah/Nev.	4	6	4
VT/N.H./V.I	4	5	4
Virginia	1	1	1
Washington	1	2	1
W. Virginia	10	13	10
Wisconsin	8	8	6
Wyoming	4	4	3
Total	240	284	218